



CNA Plaza, Chicago, Illinois 60685

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January 19, 1998

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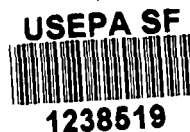
RE: Potential Environmental Claim

Insured: Group R Co., Inc.
Site: Coeur d' Alene Basin, Northern Idaho
File: 05-119261

Dear Mr. Lichtenstein:

We are in receipt of the above referenced potential claim. Notice was provided under the following listed policies, allegedly issued to the insured:

- RDX 018084862 effective date 8-27-71 to 8-27-74
- RDX 018085070 effective date 9-1-73 to 8-31-76
- CCP 002483024 effective date 8-1-75 to 8-31-76
- RDX 1421516 effective date 6-15-79 to 8-31-79
- RDX 1421856 effective date 8-31-79 to 8-31-80
- RDX 4169701 effective date 6-15-79 to 8-31-80
- RDX 4169702 effective date 6-15-79 to 8-31-80
- RDX 4170092 effective date 8-31-80 to 2-1-82
- RDX 9176104 effective date 2-1-82 to 10-1-82
- HI 149635 effective date 12-15-80 to 2-1-82
- SRX 2153463 effective date 12-15-80 to 2-1-82
- SRX 3197002 effective date 10-1-82 to 10-1-83
- SRX 1891414 effective date 10-1-83 to 10-1-84 (only policy found to date)
- RDX 9176245 effective date 10-1-82 to 10-1-83
- RDX 9176357 effective date 10-1-83 to 10-1-84
- HI 180297 effective date 10-1-84 to 10-1-85
- HI 178588 effective date 10-1-84 to 10-1-85



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These policies have not yet been located or examined with respect to their application to this loss. If there are any other policies under which you are seeking coverage, please advise the undersigned immediately. We have begun a policy search and request that all CNA policies in your possession be produced and forward to us.

Because CNA has not been able to locate a copy of the policies, we cannot state with certainty whether the policies were issued or what terms and conditions are applicable. Consequently, CNA is unable to definitively advise you of which terms or conditions of the policies may preclude or limit coverage for this claim.

While we are still searching for the policies, you should be aware that the policies usually contain certain terms, conditions, definitions and exclusions which may form the basis for disclaiming coverage. Such issues may include, but are not limited to:

1. Whether the asserted claim is for "damages" under the policies;
2. Whether the claim is for "property damage" as defined by the policies;
3. Whether any alleged "property damage" was caused by an "occurrence" as defined by the policies;
4. Whether "property damage" took place during the policy periods;
5. Whether a pollution exclusion applies;
6. Whether notice of the claim was given in accordance with the terms of the policies;
7. Whether the claim gives rise to a duty to defend under the policies;
8. Whether the underlying policies have been properly exhausted, in order to trigger coverage consideration under the excess policies; and
9. Whether the policies contain "other insurance" provisions, to the extent that other insurance policies may apply, we reserve the right to allocate any indemnity among all applicable insurance policies in accordance with such "other insurance" provisions.

Other issues may be presented as further information on the claim becomes available. We reserve the right to amend or modify the reservations set forth in this letter until such time as coverage is either accepted or denied. Should we accept the defense of this matter, we reserve the right to recover all defense costs and expenses and to withdraw from the defense of this matter should it be determined that this is not a covered claim. Likewise, we understand that the insured reserves its rights to seek coverage under these policies.

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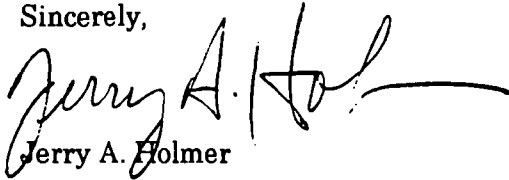
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We will begin our investigation of this potential claim. Neither this investigation, nor any future correspondence regarding this loss should be deemed or construed as a waiver of any rights or defenses against coverage, available to CNA. Therefore, in order to expedite this matter, we request that you provide the following information:

1. A detailed history of the site including but not limited to the nature of operations conducted at the site over the period in question, a history of ownership, an explanation of the types of pollutants that were generated by the insured or any other entity, to the site, and the date that the insured became aware of a pollution problem at the site, (please provide any documents supporting the above);
2. A detailed account of expenses paid to date; and
3. A list of all potential carriers for the insured, including dates on risk and coverage limits.

Should you have any questions regarding this reservation of rights letter, please do not hesitate to contact the undersigned at the number listed above.

Sincerely,


Jerry A. Holmer

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